

## MEMORANDUM

**DATE:** October 3, 2012

**TO:** Council Members, City of Issaquah; Mark Hinthorne, Planning Director, City of Issaquah

**FROM:** Morgan Shook and Erik Rundell, BERK

**RE:** **DISCUSSION DRAFT** City of Issaquah Fiscal Evaluation and Infrastructure Funding for the Central Issaquah Subarea

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### PURPOSE

This memorandum presents a fiscal impact evaluation (e.g. government financials: **public service costs** and **tax revenues**) of the Central Issaquah Subarea Plan and Environmental Impact Statement (EIS). The analysis uses the land use assumptions and mitigation framework developed in EIS, current City of Issaquah tax policy, and generalized fiscal productivity assumptions of the type of growth considered in the plan and EIS.

### Analytic Support for the City's Vision for the Central Issaquah Subarea

The City of Issaquah has come together over the past year and laid out a compelling vision for the area described in its "Guiding Principles" statement developed to guide the planning process. This analysis seeks to give the City's decision makers another perspective in evaluating the benefits and challenges of growth. The fiscal perspective is just one of many as the City strives to meet its environmental, economic development, and broader community goals.

### Note about *Present Value* used in this memo:

A challenge when discussing fiscal impacts – especially those forecast into the future – is to account for inflation so as to get a realistic picture of what those impacts would look like in today's dollars. To get an "apples to apples" comparison of all costs and revenues, **Present Values** are used to bring future dollars into today equivalents.

The revenue and cost figures in the memo are displayed in terms of total and **Present Value** (PV). PV offers a means to evaluate future cash flow (costs and revenues) over a specified length of time to account for the time value of money.<sup>1</sup> The NPV figures shown in this memo assume a 30-year time horizon. A discount rate of 3% was used in the analysis, which takes into account both inflationary impacts as well as the cost of money over time.

### Memorandum Organization

This memorandum is organized into two parts. The following section presents a summary of the analysis by addressing the key findings and policy implication of the fiscal impact analysis. A technical appendix follows the summary and provides more detailed methods, findings, and sensitivity tests.

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<sup>1</sup> The time value of money is a central concept in finance theory that accounts for the amount of interest that can be earned over time. The analysis contemplates service and revenue impacts in the City over the next 30 years.

## OVERVIEW OF THE ANALYSIS

### Why understand the fiscal impacts of growth?

The fiscal analysis assists the City in evaluating different growth proposals laid out in the EIS in a more coordinated fashion. The EIS proposes changes to the overall vision and land use regulatory structure for the subarea. It also lays out the specific level of investment needed to support differing levels and types of growth. New residents, employees, and people visiting the area will need incremental increases in both infrastructure and City services, specifically:

- The provision of new transportation and park infrastructure to serve increased intensity and density of residents, employees, and higher levels of activity and mobility in the area; and,
- The provision of greater amount public service needs (e.g. police, fire, road maintenance services, etc.) to service more people and businesses in the area.

New growth also generates incremental revenues to the City, in part, these revenues can be used to offset or fully cover the costs above. The City has a keen interest in seeing that development proceeds in a fashion that reinforces important community values and City fiscal sustainability. The fiscal impact analysis allows policy makers a better understanding of how growth will generate demand for additional City services, balanced against the tax revenues that those developments might generate to support those services as they make land use regulatory decisions for the subarea. In addition, it presents a foundation for the community and decision makers contemplate how best they might want to accomplish making the investments in transportation, parks, and other facilities outlined in the EIS that are needed to support the specific visions of the three growth alternatives.

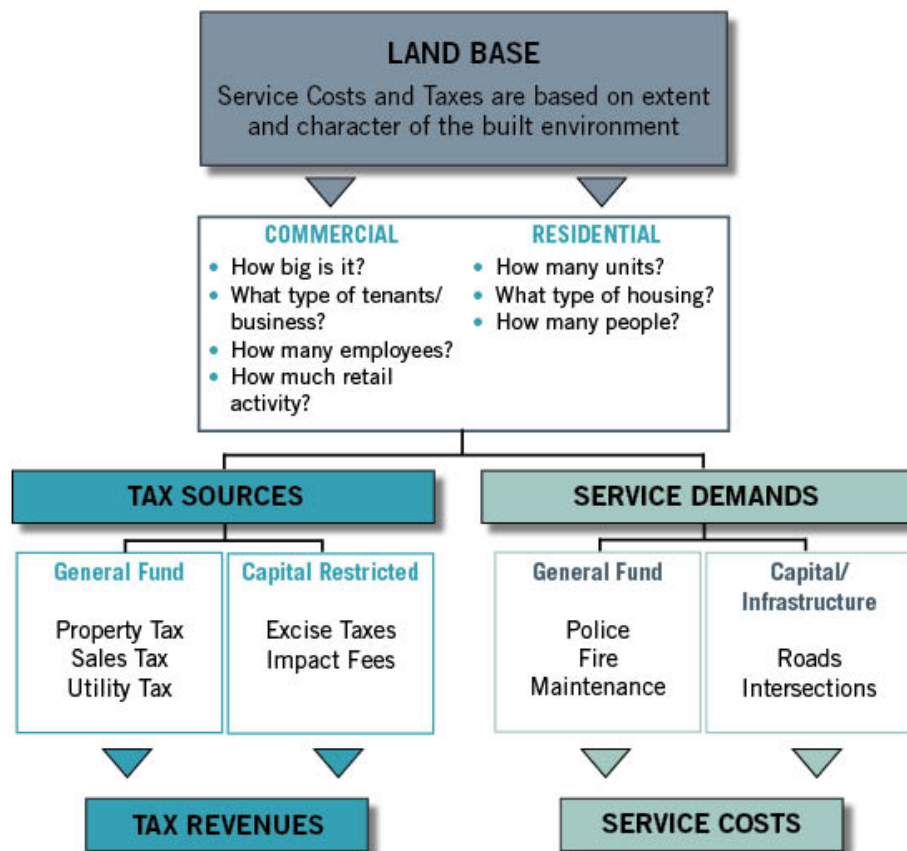
### What is a *Fiscal Impact Evaluation*?

When evaluating new development, City policy makers consider the following question: *Whether or not the City would generate enough new revenues to offset these costs?* This memo steps through the process of how to answer this question.

As growth and development occurs, it brings costs in the form of increased demands for City services as well as infrastructure needs necessary to support those services. The redevelopment also generates new revenues to help support these operating and capital infrastructure needs. Shown in illustrative Exhibit 1, the “Land Base” drives the demand for public services and the tax revenues. Broadly, both service costs and tax revenues come in two flavors:

- **Capital/Infrastructure:** On the cost side of the equation, these are the necessary capital projects needed to support development in order to meet the City’s level-of-service policies. On the revenue side, these taxes are collected and dedicated for the expressed purpose of paying for these types of capital improvements.
- **General Government:** The costs and revenues in this category are tied to serving an area on a more on-going basis. On the costs side, the increased activity from development principally affects the demand for public safety services but can also extend to the maintenance and operation of public assets (i.e. transportation and roads). Revenues include key General Fund revenues like the property and sales tax.

Exhibit 1: Fiscal Impact Framework



Source: BERK, 2012.

### Does the *Fiscal Impact Evaluation* distinguish between existing and new activity in the area?

Yes, the analysis focuses on the *incremental* costs and revenues that development might bring with it. The current amount of service costs and tax revenues being generated by property owners, businesses, and residents in the area are excluded. The study accounts for some level of retail sales absorption by new businesses in the area (e.g. all retail sales tax revenues will not be entirely new to the City to account for some shift in spending from elsewhere in the City to new developments in the planned action area). Additionally, the study does not “count” the fiscal contributions of the existing land base – so neither existing costs nor revenues are included.

### How much growth is being studied in the EIS?

There are three growth alternatives being studied in the EIS.

- **No Action Alternative:** Provides for additional growth consistent with the City's existing Comprehensive Plan and zoning regulations. This alternative assumes that the Central Issaquah Subarea Plan is not adopted.
- **Task Force Alternative:** Provides for commercial and residential growth consistent with recommendations from the Central Issaquah Plan Advisory Task Force.

- **Growth Center Alternative:** designates a portion of the Central Issaquah Subarea as a Core Growth Center and provides for significantly more residential development in Central Issaquah than either of the other alternatives.

Both the Task Force and Growth Center action alternatives require adoption of the Central Issaquah Subarea Plan, a Planned Action Ordinance, and a SEPA Infill Exemption in portions of the Central Issaquah Subarea.

The amount of new development being studied in these alternatives is shown in Exhibit 2. It is important to point out that even the No Action Alternative (continuation of the City's current land use policies) contemplates some level of growth in the subarea.

**Exhibit 2: EIS Alternatives – Amounts of New Growth**

	No Action	Task Force	Growth Center
Housing (units)	2,000	2,900	7,750
Commercial (sqft)	5,800,000	9,600,000	6,700,000
Population	3,800	5,500	14,700
Employment	16,900	28,000	19,200

Source: City of Issaquah, 2012; BERK, 2012.

### What and how is growth/development being studied in the *Fiscal Impact Evaluation*?

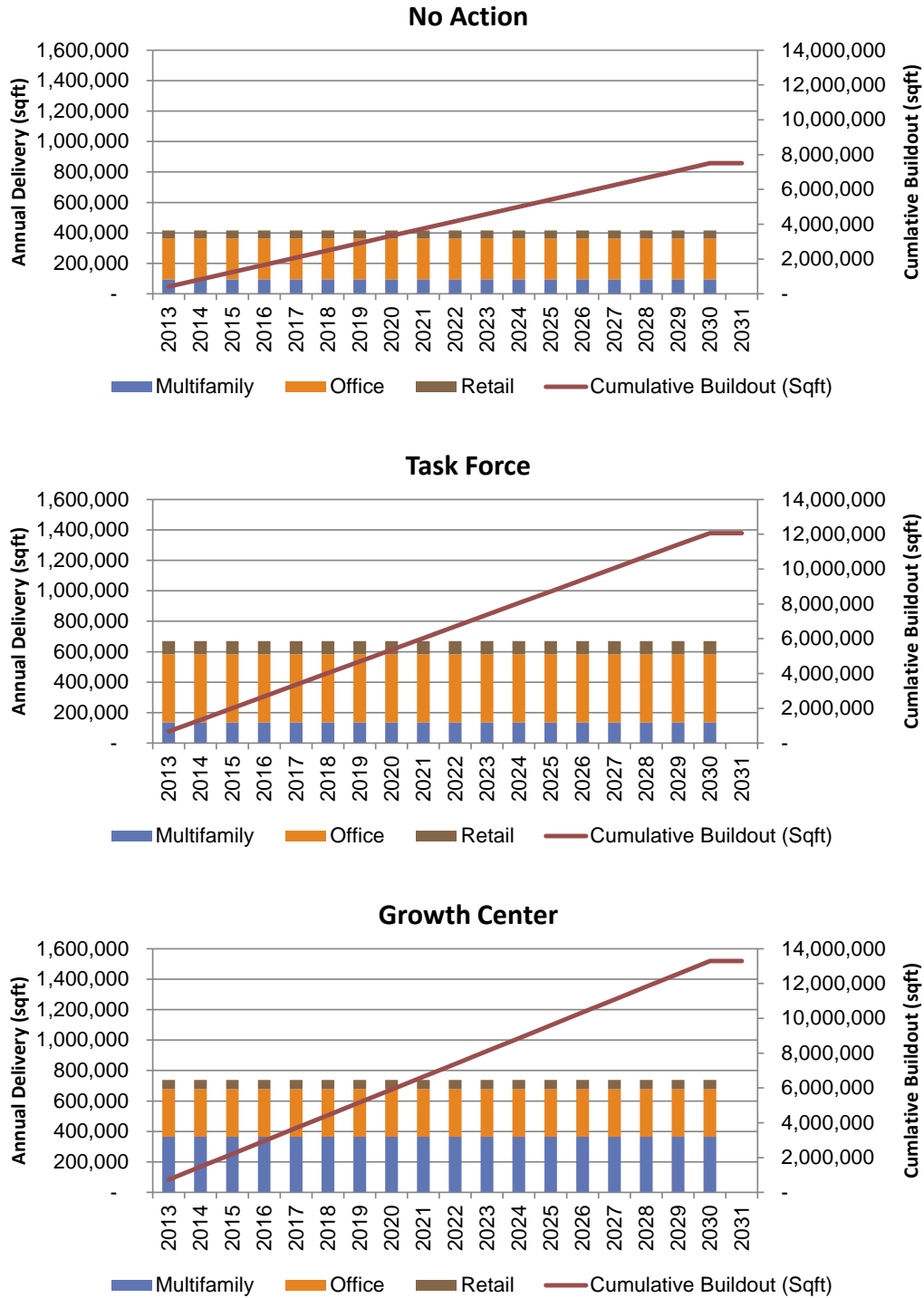
The analysis looks at the costs and revenues that the City might experience over 30 years of growth. For this assessment, a build-out of all three growth alternatives (described above) are analyzed for its fiscal impact.

The total amount and pace of growth is difficult to predict at such a relatively small geography. While the pace and timing of development will surely frame the City's fiscal picture, the study here examines how *overall* levels of growth may impact the City's fiscal picture. With that, the scale and timing of development is prorated in equal increments and intervals in order to "smooth" out the amount of residential and commercial development absorption.

While the costs and revenue outlook takes a 30 year picture, the balance of growth is completed over the year 2030 time horizon assumed in the EIS. Annual construction phases are assumed before the buildings are occupied by businesses or residents (and before a majority of costs and revenues begin accumulating to the City).

Exhibit 3 shows the cumulative build-out for commercial (retail and office) and residential development for the alternatives.

**Exhibit 3: Timing and Scale of Development (annual and cumulative)**



Source: BERK, 2012

## SUMMARY OF KEY FINDINGS

### What is the estimated cost of the infrastructure needed in the alternatives?

The draft EIS identified a number of transportation and park improvements that would address the infrastructure needs associated with the respective alternatives. For the transportation costs, the City's transportation improvement plan details planning level costs for projects in the No Action alternative. Planning level estimates were developed by CH2M Hill for projects needed to support growth in the Task Force and Growth Center alternatives (note: the project list does not differ between these alternatives). These costs are shown in Exhibit 4.

**Exhibit 4: Summary of Transportation Costs**

	No Action	Task Force	Growth Center
Transportation Cost Estimates	\$94,823,000	\$226,723,000	\$226,723,000
Range for City Share			
Low	\$77,575,000	\$118,466,000	\$118,466,000
High	\$77,575,000	\$191,013,000	\$191,013,000

Source: City of Issaquah, 2012; CH2M Hill, 2012. All figures in 2012 dollars.

The transportation component of the project costs were evaluated on the source of funding. Since many of the projects might either involve other agencies/parties or might be eligible for certain types of state and federal funding (depending on project competitiveness), a range of the City's potential share was developed.

Estimates for the No Action alternative use a conceptual improvement plan for 60 acres of parks/open space and facilities described in the EIS. Estimates for the action alternatives use a conceptual improvement plan for 84 acres of parks/open space and facilities described in the EIS and referred to as a "green necklace". In partnership with the City's Parks Department, BERK developed land acquisition and facility cost estimates that would represent these improvements. These costs are shown in Exhibit 5. Given the limited and competitive nature of grant funding for parks, no estimate of potential City share is estimated.

**Exhibit 5: Summary of Park Costs**

	No Action	Task Force and Growth Center
Land Acquisition		
Low	\$34,300,000	\$47,500,000
High	\$48,600,000	\$67,500,000
Facilities	\$700,000	\$700,000
Total	\$35,000,000 to \$49,300,000	\$48,200,000 to \$68,200,000

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.

### How much infrastructure-restricted tax revenues would be available to cover these identified costs?

The City currently has a range of impact and mitigation fees that cover capital expenses in transportation, parks, police, fire, and general administrative facilities. The transportation impact

fees help offset the capital costs associated with new development and is based on units/square footage of development and peak PM trips – depending if it’s a residential or commercial use. As illustrated in Exhibit 6, the *current* impact fee and MVFT distributions are short of covering the total transportation infrastructure needs.

**Exhibit 6: Comparison of Transportation Capital Costs to Dedicated Funding**

	No Action	Task Force	Growth Center
Transportation Cost - City Share			
Low	\$77,600,000	\$118,500,000	\$118,500,000
High	\$77,600,000	\$191,000,000	\$191,000,000
Transportation Impact Fees	\$16,100,000	\$26,300,000	\$24,100,000
Motor Vehicle Fuel Tax (MVFT)	\$900,000	\$1,200,000	\$3,300,000
Percent Coverage	22%	14-23%	14-23%

Source: BERK, 2012. Note: All figures in 2012 dollars. Note: The percent coverage will increase if some or all of the transportation projects in the Central Issaquah Plan are added to the City's Transportation Improvement Plan (TIP) and the City's Transportation Impact Fees are updated accordingly. The City's current transportation impact fees cover approximately 79.5% of the TIP project costs eligible for impact fees.

Likewise, park impact fees are used to help offset the capital costs associated with new development and are based on units of residential development (no fee for commercial use). As illustrated in Exhibit 7, the current impact fee does not cover the cost in the alternatives. The Growth Alternative covers a larger portion of the costs due to the structure of the impact fee (e.g. the fee is only charged to residential development of which there is significantly more in the alternative).

**Exhibit 7: Comparison of Parks Capital Costs to Dedicated Funding**

	No Action	Task Force	Growth Center
Parks Cost			
Low	\$35,000,000	\$48,200,000	\$48,200,000
High	\$49,300,000	\$68,200,000	\$68,200,000
Park Impact Fees	\$8,500,000	\$12,300,000	\$32,800,000
Percent Coverage	17-24%	18-26%	48-68%

Source: BERK, 2012. Note: All figures in 2012 dollars. The percent coverage will increase if some or all of the transportation projects in the Central Issaquah Plan are added to the City's Park Capital Improvement Plan (CIP) and the City's Park Impact Fees are updated accordingly.

A more comprehensive look at the capital funding sources shows gains in capital revenues differ greatly by alternative. Of the non-restricted capital dollars, monies from the real estate excise tax (REET) and the City’s policy contributing 30% of sales tax revenues to capital funding generate the largest relative contributions (Exhibit 8). While the subarea plan does not directly identify capital costs of police, fire, and general facilities, it will collect a fee (Not: the following section on operating costs does in part account for associated capital costs for these services).

**Exhibit 8: All Capital Funding Sources**

Capital Revenues	No Action	Task Force	Growth Center
Trans Impact Fee	\$16,100,000	\$26,300,000	\$24,100,000
Park Impact Fee	\$8,500,000	\$12,300,000	\$32,800,000
Police Impact Fee	\$1,600,000	\$2,500,000	\$2,500,000
Fire Impact Fee	\$3,500,000	\$5,400,000	\$9,000,000
General Facilities Fee	\$400,000	\$600,000	\$800,000
MVFT	\$900,000	\$1,200,000	\$3,300,000
REET	\$10,000,000	\$16,000,000	\$18,400,000
30% Sales Tax	\$19,410,000	\$31,950,000	\$24,810,000
<b>Total</b>	<b>\$60,410,000</b>	<b>\$96,250,000</b>	<b>\$115,710,000</b>

Source: BERK, 2012. Note: All figures in 2012 dollars.

### How will development impact City general services and operations?

New operating costs would take the form of increased demands for City services; principally police, fire, street and parks operations, and general administration.

- For police, the EIS assumes an increase in calls for service that then have staffing demands for patrol and investigation officers.
- The City currently has an interlocal agreement with Eastside Fire and Rescue for all fire and life safety (ambulance) services. The annual contract is based on funding formula that is set to be revised in 2014. The analysis assumes no change in how the City currently provides (and pays for) fire and life safety services.
- The placement of new transportation improvements would also require increased level of maintenance by the City's Public Works staff related to all aspects of maintenance and operations. These costs are included in the on-going general fund impact of the development.
- The development of new parks and facilities would also require increases in the maintenance and operations costs. The largest driver of costs is the need for additional city employees to maintain the additional facilities.
- A larger subarea would also require the expansion of some City departments (non-fee supported) to serve both a larger City (e.g. more residents and employees) and the cascading impacts to internal functions like human resources, finance, etc. needed to serve a larger City staff.

The 30-year PV of fiscal impacts on the city's general services and operations are estimated to be at \$29 to \$64 million depending on the alternative (Exhibit 9). The difference in cost is driven by the scale and mix of development envisioned in each alternative. The demand for fire and police services is driven by population (assumed in the EIS); the heavier emphasis on housing in the Growth Alternative raises its costs above the other alternatives.

**Exhibit 9: Cost Impact on Operations**

	No Action	Task Force	Growth Center
Parks	\$9,200,000	\$10,200,000	\$10,200,000
Transportation	\$2,100,000	\$3,600,000	\$3,600,000
Other Departments	\$6,500,000	\$10,400,000	\$11,000,000
Police	\$6,500,000	\$9,500,000	\$25,300,000
Fire	\$4,600,000	\$6,600,000	\$17,700,000
<b>Total</b>	<b>\$28,900,000</b>	<b>\$40,300,000</b>	<b>\$67,800,000</b>

Source: BERK, 2012. Note: All figures in 2012 dollars.

### How will growth and development impact City general tax revenues?

Components of growth that influence tax revenues include the timing, scale, and quality of the project's development as well as the population and employment impacts of the redevelopment as it is completed as discussed in Exhibit 1. These factors drive General Fund tax revenues in two respects. Operating tax revenues are differentiated into two categories:

- **One-time Revenues.** These General Fund revenues are tied to the construction of housing and commercial products. Specifically, they include the retail sales tax on construction (material and services).
- **Recurring Revenues.** These General Fund revenues are derived from the occupation of residential and commercial structures by residents, businesses, and employees. Specific revenues include the property tax, retail sales tax (resulting from new sales tax sourcing rules), and utility taxes.

As Exhibit 10 illustrates, operating revenues that generate from the development are in the range of \$131 to \$214 million. The single largest revenue streams (sales, B&O, property, and utility taxes) mirror the City's current revenue structure. The Task Force alternative is the largest fiscal producer through a combination of scale of development and weight towards commercial development, which, on a square footage basis, yields more tax revenue than residential uses due to the City's tax structure.

**Exhibit 10: Revenue Impact for General Operations**

	No Action	Task Force	Growth Center
Property Tax	\$24,900,000	\$39,900,000	\$45,900,000
70% Sales Tax	\$45,290,000	\$74,550,000	\$57,890,000
Utility Tax	\$22,800,000	\$36,800,000	\$38,600,000
B&O Tax	\$36,400,000	\$60,200,000	\$42,800,000
State Shared Revenues	\$500,000	\$800,000	\$2,100,000
Criminal Justice Sales Tax	\$1,400,000	\$2,000,000	\$5,400,000
<b>Total</b>	<b>\$131,290,000</b>	<b>\$214,250,000</b>	<b>\$192,690,000</b>

Source: BERK, 2012. Note: All figures in 2012 dollars.

### What is the "big picture" impact of growth on the City's fiscal position?

A summary of fiscal impacts are shown in Exhibit 11. Going back to the purpose of this study: "to achieve a better understanding of how development will generate demand for additional City services, balanced against the tax revenues that those developments might generate to support

those services”, the analysis informs the current deliberations around the EIS and planned action. Depending on the scale and nature of growth in the subarea, the City’s challenge **it will be to align its fiscal structures (costs and revenues) with the nature of growth it is envisioning**. in the “best case” scenario, the City stands to be in a position to fiscally benefit from growth in the subarea. However, in order to achieve the scale and type of growth envisioned in the Central Issaquah Subarea Plan, the **City will need to make large and necessary investments (mostly in the transportation and parks) to create the environment where increased levels of density and activity can thrive.**

Exhibit 11: Summary of Fiscal Impacts

	No Action	Task Force	Growth Center
CAPITAL - High End			
Costs	\$126,900,000	\$259,200,000	\$259,200,000
Revenues	\$60,410,000	\$96,250,000	\$115,710,000
<b>Balance</b>	<b>-\$66,490,000</b>	<b>-\$162,950,000</b>	<b>-\$143,490,000</b>
CAPITAL - Low End			
Costs	\$112,600,000	\$166,700,000	\$166,700,000
Revenues	\$60,410,000	\$96,250,000	\$115,710,000
<b>Balance</b>	<b>-\$52,190,000</b>	<b>-\$70,450,000</b>	<b>-\$50,990,000</b>
OPERATIONS			
Costs	\$28,900,000	\$40,300,000	\$67,800,000
Revenues	\$131,290,000	\$214,250,000	\$192,690,000
<b>Balance</b>	<b>\$102,390,000</b>	<b>\$173,950,000</b>	<b>\$124,890,000</b>
BALANCE			
<b>High End Capital</b>	<b>\$35,900,000</b>	<b>\$11,000,000</b>	<b>-\$18,600,000</b>
<b>Low End Capital</b>	<b>\$50,200,000</b>	<b>\$103,500,000</b>	<b>\$73,900,000</b>

Source: BERK, 2012. Note: All figures in 2012 dollars.

A few things should be specifically pointed out:

- **All alternatives will need some level of infrastructure investment.** Regardless of policy action, the City will be in the position of making necessary improvements to support growth. It bears mentioning that the No Action alternative is not a no-growth alternative, but a continuation of current policies and regulations.
- **Capital restricted revenues do not cover the needed capital improvements.** The implication for the City will be the need for some additional gap funding since under the current revenue tools and programs do not cover the cost these improvements. The picture for funding differs by alternative and is centered on parks and transportation costs/revenues.
- **The City will experience an annual impact on the demand (and cost) of general services.** These cost impacts are concentrated in the need for additional public safety due to increased commercial and residential activity. The differing cost impacts are primarily driven by the scale and mix of development where there is more demand for services for residential uses. While not

explicitly called out in the EIS, the City can expect to see substantial increases in general administration costs needed to serve a larger City.

- **The scale and nature of growth in all the alternatives generates significant General Fund tax revenues for the City and outpaces on-going service costs.** The \$131 to \$214 million in General Fund revenues creates revenue surpluses over the 30 years in the range of \$110 to \$177 million.

### How should the City think about the “fiscal balance” of growth in the subarea?

When new development occurs, it generates both one-time and ongoing revenues. The new development may also result in new costs in the form of increased demands for City services. However, when development is located within existing urban areas, there are significant opportunities to leverage existing service and infrastructure capacity. These economies of scale present a significant opportunity for cities that can attract targeted growth to have a greater ability to bend the long-term revenue curve in their favor. This is generally the finding with all three alternatives studied.

The implication for elected officials and residents is that either a greater amount of public services can be supported -- since revenues are growing faster than costs -- or constituent tax burdens can be lowered without compromising services. In addition, lower effective tax burdens also allow residents to bear greater amounts of voted tax burdens for specific public benefits and infrastructure.

This assessment only examines the fiscal impact in the Central Issaquah Subarea. However, City leadership and elected officials must manage the City’s financial situation on a city-wide basis. While developments like the subarea have the potential to be a fiscal benefit to the City, decision makers must balance this prospect against the likelihood that the fiscal balance in other parts of the City (or the City in general) may not be as favorable over time. In an economic time when almost all cities in Washington are struggling with issues of fiscal sustainability, cities must manage their public services and constituent tax burdens to achieve their broader community visions. **Therefore, fiscal policy decisions must be made with a more comprehensive perspective that acknowledges these issues.**

With that stated, *how should the City think about the differing fiscal balances of the three alternatives in relation to the land use decisions it will make in the Central Issaquah Subarea?* A useful starting point acknowledging that the three alternatives all present differing visions for what the area could be and how it may further the City’s goals laid out in the *Guiding Principles*. Each of these visions seek to create differing levels of residential and commercial growth. Translated into a tax base, the alternatives impact the City’s cost and revenue structures differently and produce the fiscal balances shown in Exhibit 11.

However, that balance is dynamic and subject to the City’s constant adjustment to levels and types of service, cost containment, and revenue matching. **The challenge for the City will be to create a corresponding fiscal strategy (both costs and revenues) that best leverages whichever alternative is selected.** With this prudent strategy, the City can maximize the benefits of new growth discussed above.

## How should the City think about its investment strategy in the Subarea?

Regardless of growth alternatives, the City is confronted with making investments to help 1) create/incent and 2) support growth in the area. Translated into City policy action, these investment choices manifest as:

- Creating development incentives
- Funding/prioritizing capital projects

On the development incentive front, the City has contemplated the both the use of the multifamily property tax exemption (MFTE) and incentive zoning (through a bonus density/TDR program). On the capital funding side of things, the City has a range of choices that could increase the amount of funding to support levels of growth described in the plan and EIS.

Below is a selected list of options the City might consider to fill the funding gap.

- Continue to build partnerships
  - Position projects for competitive awards
  - Implement Local Improvement Districts (LIDs)
- Enhance Existing Fees/Taxes
  - Revise impact fee schedules and mitigation frameworks<sup>2</sup>
  - Increase General Fund support through higher appropriations or revenue policies
- Develop new funding mechanisms
  - Move forward voted infrastructure levies
  - Create Transportation Benefit District (TBD)
  - Use Tax Increment Financing: Landscape Conservation and Local Financing Tool (LCLIP).

The choice(s) to pursue new capital funding policies are grounded in reality that it is becoming increasingly difficult for local governments to fund infrastructure improvements. Since many of the existing (and available) tools are directly tied to scale and nature of growth, **it creates an opportunity to leverage the growth itself** to yield more revenues over a period of time (holding all things equal). In this way, the City has the opportunity to **better manage the inherent challenges** of building infrastructure by bringing more funds to the issue. The practical implication of the implementing these policies means that the City, over time, is able to fund more of its priority projects.

When evaluating the use of any of these tools (development incentives and capital funding), the City will want to weigh the potential use of any policy against the following set of criteria that could include:

- Revenue sufficiency
- Fairness of fee/tax

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<sup>2</sup> Recall that the City will revise its impact fee schedules if some or all of the capital projects in the Central Issaquah Plan are added to the City's TIP and CIP.

- Impact of local economic competitiveness
- Shifting of resident tax burdens
- Broader fiscal sustainability
- Balance among the competing goals and policies of the plan

The current City Council (and future Councils) can choose to move forward (or modify) any of the options listed above. There is no immediate action necessary.

### What's the next step in this fiscal evaluation and investment strategy?

BERK has created the analytic tools to support City and Council discussions regarding the Central Issaquah Subarea. Specifically, we can respond to:

- The impact of different growth assumptions for the area.
- The evaluation of different fiscal and investment policies needed to support the City's vision for the area.

Specifically the fiscal and funding tool is set up to test a range investment scenarios that the City may be interested in examining.

## Technical Appendix

### OVERVIEW

At this time, the Central Issaquah Subarea is in the planning phase with the completion of the draft EIS. The likely range of fiscal impacts will be highly sensitive to a wide variety of macro-economic and development-related factors. The current analysis tests all three development alternatives based on economic, market, and development conditions:

- No-action Alternative
- Action Alternative – Task Force
- Action Alternative – Growth Center

The fiscal impact analyses focus on the core tax revenues that support the delivery of general City services as well as a select number of capital restricted revenues used to fund infrastructure. It does not contemplate impacts to dedicated tax revenues or for services that are charged on a more cost recovery basis (i.e. planning and permitting or city utilities, etc.).

The technical appendix is organized into the following sections:

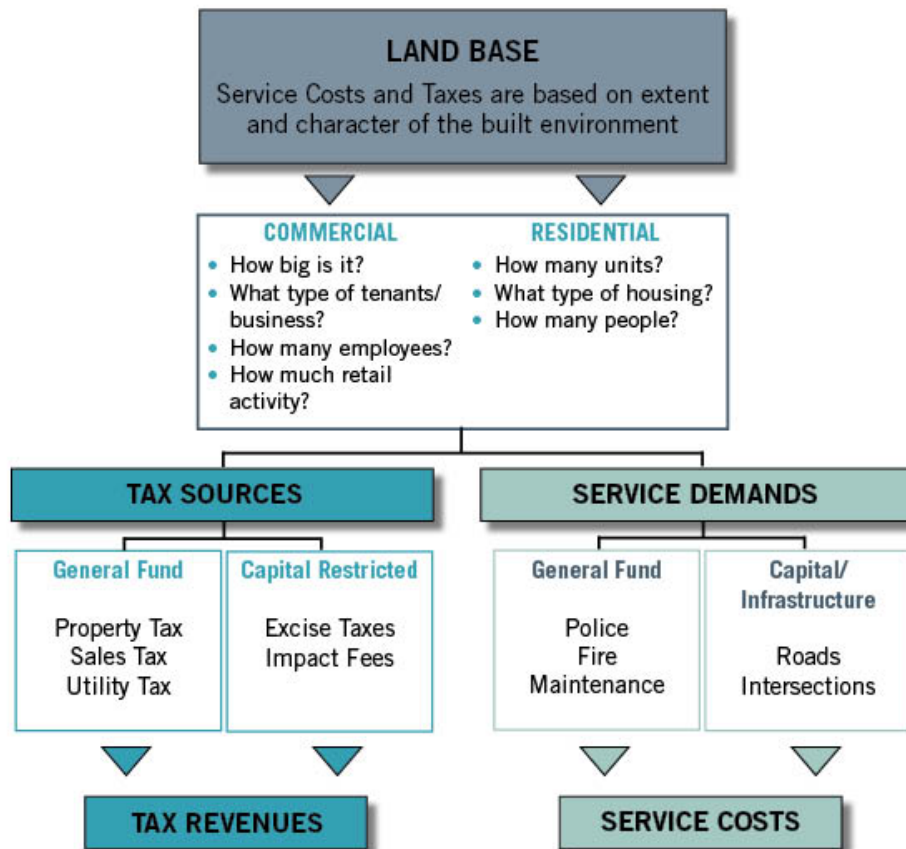
- The Framework for Discussing Fiscal Impacts section summarizes some key issues around fiscal impact studies and what they are and aren't measuring
- The Approach and Underlying Assumptions section details the approach used to derive cost and revenue impacts.
- The Capital Cost Estimate section summarizes the approach and estimates used to derived cost estimates for transportation and parks.
- The Fiscal Summary section presents the finding of “base case” analysis plus several sensitivity tests.

### FRAMEWORK FOR DISCUSSING FISCAL IMPACTS

As growth and development occurs, it brings costs in the form of increased demands for City services as well as infrastructure needs necessary to support those services. The redevelopment also generates new revenues to help support these operating and capital infrastructure needs. Shown in illustrative Exhibit 1, the “Land Base” drives the demand for public services and the tax revenues. Broadly, both service costs and tax revenues come in two flavors:

- **Capital/Infrastructure:** On the cost side of the equation, these are the necessary capital projects needed to support development in order to meet the City's level-of-service policies. On the revenue side, these taxes are collected and dedicated for the expressed purpose of paying for these types of capital improvements.
- **General Government:** The costs and revenues in this category are tied to serving an area on a more on-going basis. On the costs side, the increased activity from development principally affects the demand for public safety services but can also extend to the maintenance and operation of public assets (i.e. transportation and roads). Revenues include key General Fund revenues like the property and sales tax.

Exhibit 1: Fiscal Impact Framework



Source: BERK, 2012.

The context for interpreting the fiscal impacts falls into two broad discussion areas. The first area addresses how changes to the development program are likely to alter the tax revenue impact of the area. The second addresses a key issue related to understanding what the Site's net fiscal impact is (accounting for increase in service demands and fiscal perspective).

### Factors Impacting Tax Revenues

The analysis above assesses the tax revenue "footprint" of the conceptual development of the Central Issaquah Subarea based on assumptions about the timing, scale, and quality of development. This analysis looks at an approximate baseline for the revenue impact of redevelopment acknowledging the uncertainty inherent in the broader economy and development. As more is known about the development projects, changes to these assumptions will produce a different fiscal footprint for the area. The three main determinants of fiscal impact are explained below.

- **Scale and Mix of Development.** Currently, little is known about the development program outside of the broad scale and mix of development. The fiscal impact is likely to change as developers contemplate differing types and amounts of residential and commercial development. Effectively, changes to these assumptions impact how much economic activity will take place in the area.
- **Quality of Development.** While the baseline assumptions around development quality were drawn from reliable data calibrated to the Issaquah market place, it is difficult to predict future development quality with complete certainty, especially at this early stage. As more is known about the product types and

target markets, it will allow for a greater degree of certainty in assessing how productive the products are (i.e. likely sales prices, what type of business may locate there, construction costs, etc.).

- **Timing of Development.** The timing of construction, absorption, and occupancy of development can either accelerate or delay the onset of tax revenues. Delay reduces the tax revenues of construction and operations in the area by pushing out the impacts into the future, resulting in reduced years of benefits that are discounted more heavily. The opposite is true in a situation where development happens earlier.

## **Understanding the Net Fiscal Impact**

The analysis thus far focuses on arriving at a tax revenue impact. Given the desire to understand what net revenues may be available for infrastructure investment, it is necessary to address two key issues. First, it is likely that any new development in the area will create the need for additional city services – services that are likely to generate increased costs. The net impact will be the degree that revenues generated in the area are not eroded by increased service demands. These issues are addressed in greater detail below.

### **Public Service Costs**

Any land use within city boundaries generates two counteracting fiscal forces:

- A stream of tax revenues, a share of which accrues to the city, principally from property tax, utility taxes, and retail sales tax; and
- Demand for public services, including those typically provided by cities such as construction and maintenance of infrastructure, public safety services, parks construction and maintenance, recreation and community services, and a host of other city services that may be consumed less directly, but are no less real.

When evaluating new development, city policy-makers consider the following question: *How would the development in question affect each side of the city's fiscal equation?* A great deal of conventional wisdom exists about the relative fiscal attractiveness of different types of development. The net fiscal impact of a given development project varies tremendously by city and development.

### **Incremental Costs Versus Average Costs**

When city policymakers think about the fiscal implications of serving the city's constituents, they often think in terms of per-capita costs and per-capita revenues. In reality, however, when a city thinks about the fiscal impact of adding new households or a new center of commercial activity, average revenues and average costs of service are not particularly helpful. In this situation, the key questions are related to incremental revenues and costs:

- What new revenues will the development bring to the city?; and
- What new costs of service will the development introduce?

On the revenue side of the equation, new households or new businesses bring with them the full slate of new city revenues. They will pay property and utility taxes; residents will pay sales taxes on their purchases (some of which will be made locally); and to the extent that new businesses increase the city's overall capture of retail activity (attracting purchases that would otherwise be made elsewhere), new businesses will drive new sales tax revenues. In addition, increases in the city's population allow the city to collect additional revenues that are distributed at the state or county level based on population.

In contrast with new revenues, on the cost side of the equation, new households or new businesses may generate only modest increases in the cost of providing city services. With a number of fixed costs already in

place (e.g. existing city systems and infrastructure) it is often the case that the incremental cost of serving a new household or a new business is significantly lower than the average cost of serving the city's existing constituents.

### Fiscal Perspective and New Demand

Geography **matters** when considering fiscal impacts. Governments collect taxes and provide services to those constituents residing within their boundaries. In contrast, the demand for residential and commercial uses does not follow the same boundaries. This fiscal impact analysis looks at tax and service impacts associated with the potential redevelopment in the area from the City of Issaquah's perspective. In order to arrive at a net fiscal impact of redevelopment, the analysis must identify injections of new demand that are attributable to this area. This means that any transfer of demand from one part of the City to another cannot be counted as a new impact to the City.

Since the development is still conceptual, it is difficult to determine what injections of new demand can be attributed to the area. The degree to which the net tax revenue impacts stemming from the development are considered "new" will ultimately rest on the degree to which development of those uses offer a unique opportunity or an incremental increase in value over competing sites within the City. To the extent possible, the analysis has factored in some level of sales tax cannibalization.

## APPROACH AND UNDERLYING ASSUMPTIONS

### Assumed Development Program

There are three growth alternatives being studied in the EIS.

- **No Action Alternative:** Provides for additional growth consistent with the City's existing Comprehensive Plan and zoning regulations. This alternative assumes that the Central Issaquah Subarea Plan is not adopted.
- **Action Alternative - Task Force:** Provides for commercial and residential growth consistent with recommendations from the Central Issaquah Plan Advisory Task Force.
- **Action Alternative - Growth Center Alternative:** designates a portion of the Central Issaquah Subarea as a Core Growth Center and provides for significantly more residential development in Central Issaquah than either of the other alternatives.

Both the Task Force and Growth Center action alternatives require adoption of the Central Issaquah Subarea Plan, a Planned Action Ordinance, and a SEPA Infill Exemption in portions of the Central Issaquah Subarea.

The amount of new development being studied in these alternatives is shown in Exhibit 2. It is important to point out that even the No Action Alternative (continuation of the City's current land use policies) contemplates some level of growth in the subarea.

**Exhibit 2: EIS Alternatives – Amounts of New Growth**

	No Action	Task Force	Growth Center
Housing (units)	2,000	2,900	7,750
Commercial (sqft)	5,800,000	9,600,000	6,700,000
Population	3,800	5,500	14,700
Employment	16,900	28,000	19,200

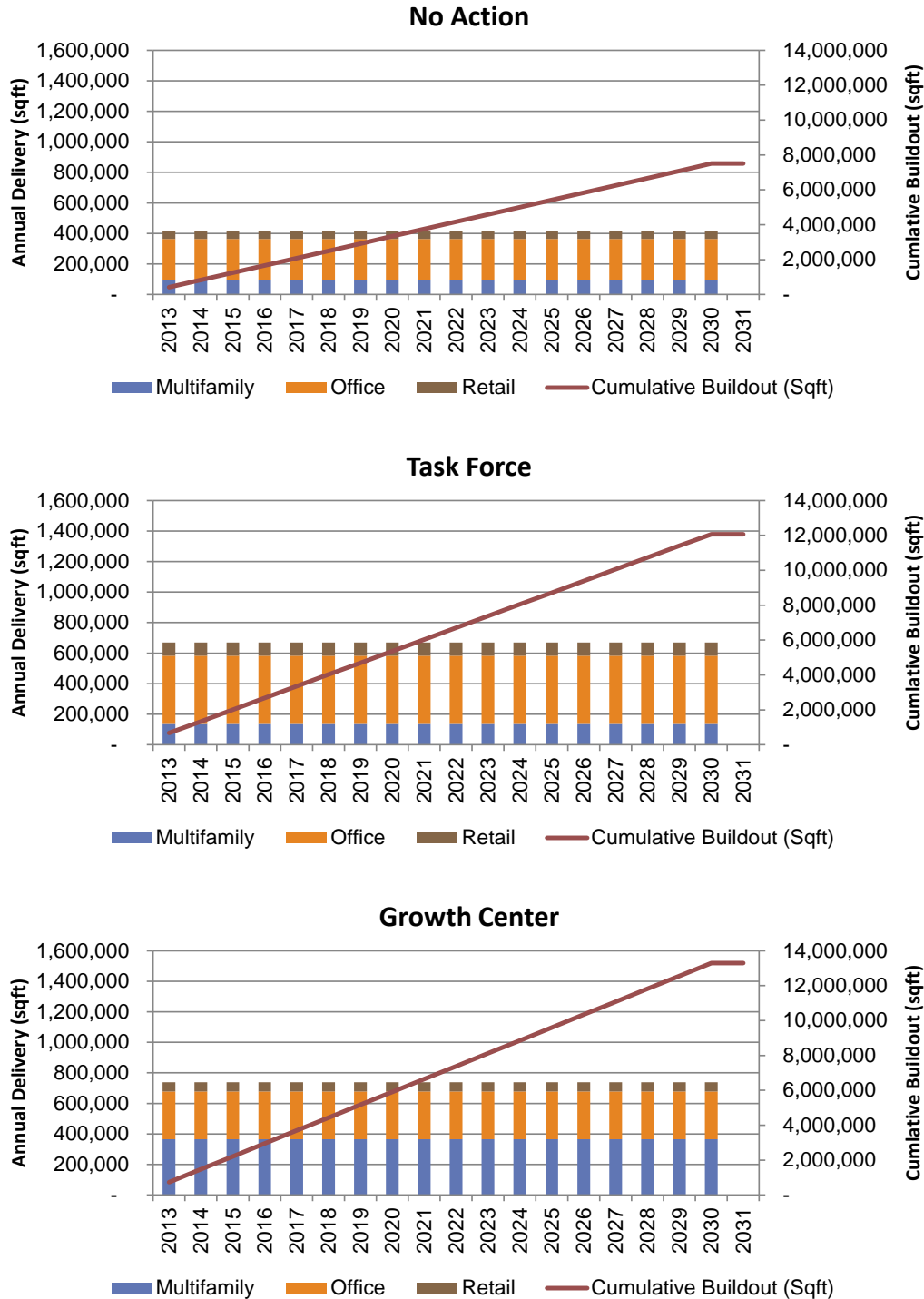
Source: City of Issaquah, 2012; BERK, 2012.

The analysis looks at the costs and revenues that the City might experience over 30 years of growth. For this assessment, a build-out of all three growth alternatives (described above) are analyzed for its fiscal impact.

The total amount and pace of growth is difficult to predict at such a relatively small geography. While the pace and timing of development will surely frame the City's fiscal picture, the study here examines how *overall* levels of growth may impact the City's fiscal picture. With that, the scale and timing of development is prorated in equal increments and intervals in order to "smooth" out the amount of residential and commercial development absorption.

While the costs and revenue outlook takes a 30 year picture, the balance of growth is completed over the year 2030 time horizon assumed in the EIS. Annual construction phases are assumed before the buildings are occupied by businesses or residents (and before a majority of costs and revenues begin accumulating to the City). Exhibit 3 shows the cumulative build-out for commercial (retail and office) and residential development for the alternatives.

**Exhibit 3: Timing and Scale of Development (annual and cumulative)**



Source: BERK, 2012

### Site Generated Tax Revenues

The following description of tax revenues is included for reference of the estimated taxes. Tax revenues were estimated based on the changes in the components of the City's tax base resulting from redevelopment at

the Site. Components of growth that influence revenues include the timing, scale, and quality of the project's development as well as the population and employment impacts of the redevelopment as it is completed.

Tax revenues are differentiated into three categories:

- **One-time Revenues.** These General Fund revenues are tied to the construction of housing and commercial products. Specifically, they include the retail sales tax on construction (material and services).
- **Recurring Revenues.** These General Fund revenues are derived from the occupation of residential and commercial structures by residents, businesses, and employees. Specific revenues include the property tax, retail sales tax (resulting from new sales tax sourcing rules), and utility taxes.
- **Non-General Fund Capital Restricted Revenues.** These revenues are statutorily restricted to fund capital expenses. Specific revenues include the utility tax distribution for parks and open space, the real estate excise tax, the state distribution of the motor fuel tax, and traffic impact fees.

### **Revenues Included**

The following operating revenues are measured as part of the initial analyses:

- **Property Tax.** Redevelopment of the Site would be taxed at the City's regular levy rate. Only the regular levy is considered in this analysis (e.g. not voter approved levies that have been dedicated to funding specific programs/projects).
  - The current expense levy is \$1.194 per \$1000 of taxable assessed value.
- **Sales Tax.** Of the 8.5% sales tax currently collected in the City on general retail purchases, a 1% "local" share of the tax accrues to local jurisdictions. The City receives 85% of the 1% local tax and the County receives 15%. This tax is levied on businesses in the area, and also on construction activity and some transactions related to housing and business, such as certain online purchases and the delivery of personal and business goods.
  - The current rate accruing to the City is 0.85%
  - The City also receives population pro-rata share of 90% city allocation the King County's 1% criminal justice sales tax
- **Utility Taxes.** The City imposes utility taxes on gross purchases of electricity, water/wastewater/solid waste, telephones, cable, and natural gas. Current 2012 tax rates were used for this analysis.
  - Water: 2.330%
  - Electric: 6.000%
  - Natural Gas: 6.000%
  - Cable TV Franchise Fee: 5.000%
  - Solid Waste/Garbage: 6.000%
  - Cable TV: 1.000%
  - Telephone: 6.000%
- **Business and Occupation Taxes.** The City imposes B&O taxes on businesses. The City has two rates, one for service activities and one for retailing activities.

- Services & Other Activities: 0.0800%
- Retailing: 0.1000%
- **State Share Revenues:** The City receives several state-shared revenues. The principal sources treated in the analysis are Motor Vehicle Fuel Tax, Liquor Excise Tax, and Liquor Board Profits. These revenues are primarily disbursed on a formulas weighted toward population.
  - **Motor Vehicle Fuel Tax (Gas Tax).** The City receives a gas tax distribution that is restricted for street purposes under the state constitution. The distribution is determined using a formula that is heavily weighted towards population.
    - Current per capita rates of \$18.74 is used.
  - **Liquor Excise Tax and Liquor Board Profits.** These state shared revenues are distributed on using a formula that is heavily weighted towards population.
    - Current per capita rates of \$4.56 is used for Liquor Excise Tax.
    - Current per capita rates of \$7.17 is used for Liquor Board Profits.
- **Real Estate Excise Tax (REET).** REET revenues are placed in the capital restricted funds, and are used by the City to finance capital projects. This analysis assumes that the all market rate developments would be sold upon completion with some share of structures entering the resale market in subsequent years.
  - The City currently uses both 0.25% REET rates (total of 0.5%)
- **Traffic Impact Fee.** The City levies a transportation impact fee calculated on units of development and peak PM trips.
  - Single family: \$1,739 per dwelling unit
  - Multifamily: \$1,057 per dwelling unit
  - Retail: \$3.71 per sq ft
  - Office: \$2.30 per sq ft
- **Park Impact Fee.** The City levies a parks and trail impact assessment fee to residential development based on type of use (e.g. multi-family, single family, etc.) and number of dwelling units.
  - Single family: \$3,568 per dwelling unit
  - Multifamily: \$4,408 per dwelling unit
  - Non-Residential : \$0 per sq ft
- **Police Impact Fee.** The City levies police impact assessment fee to residential development based on type of use (e.g. multi-family, single family, etc.) and number of dwelling units.
  - Single family: \$171.24 per dwelling unit
  - Multifamily: \$142.03 per dwelling unit
  - Retail: \$ 839.54 per 1000 sq ft
  - Office: \$ 113.45 per 1000 sq ft
- **Fire Impact Fee.** The City levies a fire impact assessment fee to residential development based on type of use (e.g. multi-family, single family, etc.) and number of dwelling units.
  - Single family: \$688.34 per dwelling unit
  - Multifamily: \$944.07 per dwelling unit

- Retail: \$707.98 per 1000 sq ft
- Office: \$221.24 per 1000 sq ft
- **General Government Facility Impact Fee.** The City levies a general government impact assessment fee to residential development based on type of use (e.g. multi-family, single family, etc.) and number of dwelling units.
  - Single family: \$133.78 per dwelling unit
  - Multifamily: \$72.79 per dwelling unit
  - Retail: \$45.38 per 1000 sq ft
  - Office: \$45.38 per 1000 sq ft

## **Product Productivity Assumptions**

### **Market Rate Housing**

It is assumed that each unit will house 2.23 persons and be 85% occupied. Taxable assessed value on the units is assumed to be \$225,000 per unit. Construction costs subject to retail sales taxes are estimated to be \$180,000 per unit. Retail sales due to sales tax sourcing laws are assumed to be \$3 per capita per annum.

### **General Office**

It is assumed that the office uses will house 1 employee per 300 square feet of gross leasable square feet and be 85% occupied. Taxable assessed value on the office is assumed to be \$225 per leasable square foot. Construction costs subject to retail sales taxes are estimated to be \$180 per leasable square foot. Retail sales taxes due to sales tax sourcing laws are assumed to be \$20 per square foot per annum. Business tenants are assumed to generate \$400 in gross business income per square feet per annum that will subject to the business and occupation tax.

### **Retail**

It is assumed that the office uses will house 1 employee per 500 square feet of gross leasable square feet and be 85% occupied. Taxable assessed value on the office is assumed to be \$250 per leasable square foot. Construction costs subject to retail sales taxes are estimated to be \$200 per leasable square foot. Retail sales taxes are assumed at \$250 per leasable square foot. Retail tenants are assumed to generate \$300 per leasable square foot in gross business income will subject to the business and occupation tax.

## **CAPITAL COST ESTIMATES**

### **Transportation Costs**

#### **Cost Estimating Approach**

The study prepared planning level cost estimates for the Central Issaquah Plan Transportation projects considered in the action alternatives that did not already have cost estimates established. Without detailed project definition and detailed engineering data, the planning level cost estimating for these projects was based on typical expected costs for similar types of projects. Planning level cost estimates are generally based on project definition of zero to five percent completion, and are used for program budgeting purposes.

#### **Cost Components Considered**

The planning level estimates for the Central Issaquah Plan Transportation projects considered construction costs; right-of-way and property acquisition costs; project development costs, such as design and

environmental documentation; and agency costs, including construction management. Appropriate contingencies were applied based on an assessment of risk for each project. A description for the approach used to estimate these cost elements is described below.

### **Methods**

Construction costs were estimated by identifying the approximate project footprint and the major cost elements, including paving, drainage, grading, bridges and structures, sidewalks, landscaping, utility modifications, traffic signals, illumination and erosion control. Construction costs for these elements were estimated based on actual construction costs of similar transportation projects. For example, unit prices for new roadway paving were based on actual construction costs for new pavement of similar projects, per lane-mile of paving. Allowances were included with these costs to account for miscellaneous items that are not yet identified or quantified at this early stage in the project development. It is expected that as the projects become more defined and designed, more cost elements will be identified. For now, an allowance is provided to account for these “unknown” items. Other cost impacts associated unique project elements were also considered for each project such as wetland impacts or sensitive area impacts.

Right of way costs for the projects were estimated based on King County assessed values and quantified area calculations. The right of way costs also accounted for potential damages or costs to cure associated with property takes. Administration costs for property acquisition and negotiations were accounted for as well.

Project development costs were included in the planning level estimate to account for future costs associated with environmental documentation, design engineering, and community engagement. Agency administration and construction management are also included as project development costs. Project development costs were estimated by multiplying estimated construction costs by a percentage factor. For example, construction management costs are typically 10-12 percent of the construction costs.

Contingency costs were applied to account for risks associated with the probability that actual costs will vary from the estimated costs due to unforeseen project complexities, site conditions different than assumed, and other factors. For example, encountering poor soil conditions or a high water table can affect structure costs. For the Central Issaquah Plan Transportation projects, a risk assessment was performed for each project as part of the cost estimating process. There are two dimensions of risk – the likelihood of an occurrence and the possible impact of the occurrence. The project risk assessment considers the likelihood and impact of potential risks associated with the three categories of the project costs, namely right of way costs, construction costs, and project development costs. Based on the risk assessment, appropriate contingency values were applied to these cost categories, specific to each project.

**Exhibit 4**  
**Identify Risk Signature**

<b>Likelihood</b>	<b>Impact</b>				
	Insignificant	Minor	Moderate	Major	Extreme
Almost certain	M	M	H	C	C
Likely	M	M	H	C	C
Possible	L	M	M	H	H
Unlikely	L	L	M	H	H
Rare	L	L	M	M	M

L	Low
M	Medium
H	High
C	Critical

Source: CH2M Hill, 2012

### Summary of Estimates

The estimated cost for transportation improvements came from a number of sources, including the City's 2011-2016 Transportation Improvement Program, the Hyla/Rowley Developer's Agreement, and CH2M Hill's estimates for the remaining projects. The total of transportation improvements for all of the alternatives is considerable.

- Total estimated cost for individual projects in the No Action alternative is \$94.8 million in 2012 dollars.
- Total estimated costs for project planned for under the Task Force and Growth Center action alternatives, in addition to the No Action projects, is \$139.3 million in 2012 dollars.

**Exhibit 5**  
**No Action Alternative Planned Transportation Improvements**

Planned Improvements Considered in the 2030 No Action Alternative				
TIP Proj. No.	Project Name	Description	Cost Estimate (2012\$)	Source
<b>Intersection Improvements</b>				
T-15	12th Avenue NW/SR 900/NW Sammamish Road Improvements	Intersection widening to provide dual westbound left-turn lanes and an exclusive northbound right-turn lane	\$2,931,000	2011-2016 TIP
T-22	Maple Street/Newport Way Improvements	Intersection widening to provide exclusive northwestbound right-turn lane (on Newport Way) and exclusive southwestbound right-turn lane (on Maple St)	\$2,426,000	2011-2016 TIP
T-26	Gilman Boulevard/Rainier Boulevard Improvements	Signalize intersection, provide pedestrian crossing improvements, restrict access to Rainier Boulevard from westbound NW Juniper Street	\$919,000	2011-2016 TIP
NA-1	Gilman Boulevard/SR 900 Improvements	Intersection widening to provide dual westbound right-turn lanes and dual eastbound left-turn lanes		Hyla/Rowley Developer's \$0 Agreement
<b>Roadway Improvements</b>				
T-8	Rainier Boulevard N Improvements (NW Juniper Street to Dogwood Street)	Roadway widening to provide on-street parking (both sides), sidewalk, curb and gutter, multi-purpose trail, and landscaping	\$1,782,000	2011-2016 TIP
T-9	NW Newport Way Improvements (NW Maple Street to west city limit)	Roadway widening (2 to 3 lanes) to provide sidewalk, curb and gutter, and nonmotorized path	\$20,599,000	2011-2016 TIP
T-10	NW Newport Way Improvements (NW Maple Street to W. Sunset Way)	Roadway widening to provide additional southbound lane between NW Maple Street and Holly Street, with intersection improvements (roundabouts) at NW Juniper Street, NW Holly Street, and at NW Dogwood Street	\$11,334,000	2011-2016 TIP
T-13	E Lake Sammamish Parkway Improvements (SE 56th Street to I-90)	Roadway widening to provide additional southbound general purpose lane between SE 56th Street and SE Issaquah-Fall City Road with sidewalks, curb and gutter, and landscaping	\$10,839,000	2011-2016 TIP
T-16	NW Maple Street (SR 900 to Newport Way)	New roadway extension of NW Maple Street westward from SR 900 to Newport Way providing two-lane bridge crossing over Tibbett's Creek, intersection improvements at NW Maple Street/SR 900	\$13,211,000	2011-2016 TIP
T-17	NW Gilman Boulevard (SR 900 to 500' east of 7th Ave SE)	Provide increased left-turn storage capacity, median landscaping, access restrictions, and U-turn routes	\$2,418,000	2011-2016 TIP
T-18	SR 900/NW Sammamish Road Widening (11th Avenue NW to I-90)	Roadway widening to provide additional westbound general purpose lane between 11th Avenue NW and 12th Avenue NW	\$8,184,000	2011-2016 TIP
T-21	NW Sammamish Road (Slate Park entrance to Lakemont Blvd.)	Roadway widening to provide bike lanes, sidewalk, curb and gutter, traffic calming devices, crosswalks, and landscaping	\$6,000,000	2011-2016 TIP
<b>Nonmotorized Improvements</b>				
T-7	NW Juniper Street Improvements (Newport Way to Rainier Boulevard)	Road rebuild with sidewalk, curb and gutter, multi-purpose trail, and landscaping	\$2,778,000	2011-2016 TIP
T-19	SR 900 Pedestrian/Nonmotorized Improvement	Provide nonmotorized crossing of I-90 along the west side of SR 900 between 12th Avenue NW/NW Sammamish Road and the westbound I-90 ramp intersection	\$6,372,000	2011-2016 TIP
T-24	Sammamish Trail Grade Separation	Provide nonmotorized overcrossing of Sammamish Trail at SE 56th Street	\$5,030,000	2011-2016 TIP
<b>Subtotal =</b>			<b>\$94,823,000</b>	

**Error! Not a valid bookmark self-reference.** and Exhibit 7 list the estimated costs for transportation projects in the Task Force and Growth Center Alternatives that previously did not have cost estimates. Costs listed in Exhibit 6**Error! Not a valid bookmark self-reference.** include the addition of bike lanes to the projects, which have somewhat higher cost.

**Exhibit 6**  
**Cost Estimates for Action Alternative Project List - Includes Bike Lanes in Projects (2012\$)**

TMP Code	Leeson Code	Project Description	ROW	Construction	Project Development	Construction Management	TOTAL
A-4		NW Maple Street / 12th Ave NW	\$ 233,000	\$ 540,000	\$ 179,000	\$ 81,000	\$ 1,033,000
R-1		SE 53rd St/225th Ave SE/ 228th Ave SE	\$ 9,798,000	\$ 9,748,000	\$ 3,341,000	\$ 1,463,000	\$ 24,350,000
R-2	2	14th Ave NW - New Signals at Gilman and Maple	\$ -	\$ 711,000	\$ 271,000	\$ 143,000	\$ 1,125,000
R-3	3	15th Ave NW - New Road from Maple to Newport w/ Signals	\$ 1,706,000	\$ 2,421,000	\$ 799,000	\$ 364,000	\$ 5,290,000
	4	Gilman to Newport - 11th Pl NE	\$ 3,624,000	\$ 3,811,000	\$ 1,258,000	\$ 572,000	\$ 9,265,000
	5	11th Ave NE	\$ 1,472,000	\$ 1,955,000	\$ 646,000	\$ 294,000	\$ 4,367,000
R-6	1	Mall Street Extension	\$ 6,996,000	\$ 5,557,000	\$ 1,905,000	\$ 834,000	\$ 15,292,000
P-1		Non-motorized crossing of I-90 at 19th/State Park Road	\$ 763,000	\$ 6,167,000	\$ 2,192,000	\$ 926,000	\$ 10,048,000
P-2		Non-motorized crossing of I-90 at Maple/Lake Dr.	\$ 104,000	\$ 4,057,000	\$ 1,390,000	\$ 812,000	\$ 6,363,000
P-3		Mall St Pedestrian Corridor, 19th to Juniper	\$ 1,383,000	\$ 2,310,000	\$ 793,000	\$ 462,000	\$ 4,948,000
R-4	7	12th Ave Overcrossing of I-90, Gilman to 11th	\$ 1,289,000	\$ 14,195,000	\$ 4,858,000	\$ 2,130,000	\$ 22,472,000
	8	SE 62nd Street - West (11th Ave to Lake Dr.)	\$ 2,363,000	\$ 2,574,000	\$ 884,000	\$ 386,000	\$ 6,207,000
	9	SE 62nd Street - East (Lake Dr. to 4th Ave)	\$ 4,119,000	\$ 11,409,000	\$ 3,905,000	\$ 1,712,000	\$ 21,145,000
<b>Totals</b>			\$ 33,850,000	\$ 65,455,000	\$ 22,421,000	\$ 10,179,000	\$ 131,905,000

**Exhibit 7**  
**Cost Estimates for Action Alternative Project List - Excludes Bike Lanes in Projects (2012\$)**

TMP Code	Leeson Code	Project Description	ROW	Construction	Project Development	Construction Management	TOTAL
A-4		NW Maple Street / 12th Ave NW	\$ 233,000	\$ 540,000	\$ 179,000	\$ 81,000	\$ 1,033,000
R-1		SE 53rd St/225th Ave SE/ 228th Ave SE	\$ 8,488,000	\$ 8,436,000	\$ 2,891,000	\$ 1,266,000	\$ 21,081,000
R-2	2	14th Ave NW - New Signals at Gilman and Maple	\$ -	\$ 711,000	\$ 271,000	\$ 143,000	\$ 1,125,000
R-3	3	15th Ave NW - New Road from Maple to Newport w/ Signals	\$ 2,933,000	\$ 2,249,000	\$ 743,000	\$ 338,000	\$ 6,263,000
	4	Gilman to Newport - 11th Pl NE	\$ 3,263,000	\$ 3,436,000	\$ 1,134,000	\$ 516,000	\$ 8,349,000
	5	11th Ave NE	\$ 1,328,000	\$ 1,834,000	\$ 629,000	\$ 276,000	\$ 4,067,000
R-6	1	Mall Street Extension	\$ 6,060,000	\$ 4,952,000	\$ 1,955,000	\$ 991,000	\$ 13,958,000
P-1		Non-motorized crossing of I-90 at 19th/State Park Road	\$ 763,000	\$ 6,167,000	\$ 2,192,000	\$ 926,000	\$ 10,048,000
P-2		Non-motorized crossing of I-90 at Maple/Lake Dr.	\$ 104,000	\$ 4,057,000	\$ 1,390,000	\$ 812,000	\$ 6,363,000
P-3		Mall St Pedestrian Corridor, 19th to Juniper	\$ 1,383,000	\$ 2,310,000	\$ 793,000	\$ 462,000	\$ 4,948,000
R-4	7	12th Ave Overcrossing of I-90, Gilman to 11th	\$ 1,289,000	\$ 14,195,000	\$ 4,858,000	\$ 2,130,000	\$ 22,472,000
	8	SE 62nd Street - West (11th Ave to Lake Dr.)	\$ 2,053,000	\$ 2,180,000	\$ 748,000	\$ 327,000	\$ 5,308,000
	9	SE 62nd Street - East (Lake Dr. to 4th Ave)	\$ 4,827,000	\$ 9,817,000	\$ 3,360,000	\$ 1,964,000	\$ 19,968,000
<b>Totals</b>			\$ 32,724,000	\$ 60,884,000	\$ 21,143,000	\$ 10,232,000	\$ 124,983,000

Source: CH2M Hill, 2012

Exhibit 8 lists the additional transportation projects planned for under the two action alternatives and their estimated cost.

**Exhibit 8  
Additional Action Alternatives' Planned Transportation Improvements**

Additional Planned Improvements Considered in the 2030 Action Alternatives				
Proj. No.	Project Name	Description	Cost Estimate (2012\$)	Source
<b>Intersection Improvements</b>				
A-1	NW Maple Street/SR 900 Improvements	Intersection signal phasing modifications		Hyla/Rowley Developer's Agreement
A-2	Gilman Boulevard/15th Avenue NW	Signalize intersection, widen Gilman Boulevard to provide exclusive eastbound and westbound left-turn lanes and exclusive eastbound right-turn lane		Hyla/Rowley Developer's Agreement
A-3	Mall Street/12th Avenue NW	Signalize intersection, provide exclusive northbound and southbound left-turn lanes		Hyla/Rowley Developer's Agreement
A-4	NW Maple Street/12th Avenue NW	Intersection widening to provide exclusive eastbound right-turn lane and northbound right-turn lane	\$1,033,000	CH2M HILL
A-5	NW Newport Way/SR 900 Improvements	Intersection signal phasing modifications	\$45,400	Hyla/Rowley Developer's Agreement
<b>Roadway Improvements (Includes Bike Lanes)</b>				
I-1	Front Street N (Gilman Boulevard to SE Issaquah-Fall City Road)	Reconfigure Front Street N / I-90 Interchange to tight diamond, provide additional capacity on Front Street N	\$44,000,000	I-90 Corridor Study
R-1	SE 53rd Street/225th Avenue SE/228th Avenue SE	New 2 to 3 lane roadway paralleling East Lake Sammamish Parkway	\$24,350,000	CH2M HILL
R-2	14th Avenue NW (Gilman Boulevard to NW Newport Way)	New 2 to 3 lane roadway creating grid network in pedestrian/transit district	\$1,125,000	CH2M HILL
R-3	15th Avenue NW (Gilman Boulevard to NW Newport Way)	New 2 to 3 lane roadway creating grid network in pedestrian/transit district	\$5,290,000	CH2M HILL
R-4	12th Avenue NW (Gilman Boulevard to Lake Drive)	New 2 to 3 lane roadway crossing over I-90 and connecting to 11th Avenue NW in Pickering Place	\$22,472,000	I-90 Corridor Study
R-5	11th Avenue NW (Gilman Boulevard to Maple Street NW)	New 2 to 3 lane roadway creating grid network in pedestrian/transit district	\$4,367,000	CH2M HILL
R-6	NW Mall Street (12th Avenue NW to 7th Avenue NW)	New 2 to 3 lane roadway creating grid network in pedestrian/transit district	\$15,292,000	CH2M HILL
R-8	SE 61st Street (Lake Drive to 4th Avenue NW)	New 2 to 3 lane roadway connecting Pickering Place to 4th Avenue NW		LID
<b>Nonmotorized Improvements</b>				
P-1	NW Sammamish Road (NW Sammamish Road to Poplar Way)	Provide nonmotorized crossing of I-90	\$10,048,000	CH2M HILL
P-2	10th Avenue NW (Gilman Boulevard to 10th Avenue NW)	Provide nonmotorized crossing of I-90	\$6,363,000	CH2M HILL
P-3	NW Mall Street (19th Avenue NW to NW Juniper Street)	Provide Urban Pedestrian Corridor	\$4,948,000	CH2M HILL
P-4	SR 900/NW Mall Street Improvement	Provide nonmotorized overcrossing of SR 900		Not Studied
<b>Transit Improvements</b>				
TR-1	Issaquah Trolley	Expansion of Issaquah Trolley route into Central Issaquah Subarea		Not Studied
<b>Subtotal =</b>			<b>\$139,333,400</b>	

## Park and Recreation Costs

### Approach

The study used the conceptual improvement plan described in the Central Issaquah Subarea Plan Environmental Impact Study for the three alternatives to estimate the capital costs and operation and maintenance costs for each alternative in the Central Issaquah Subarea Plan study area. Capital costs for the scenarios included the acquisition of land for parks and open space and the construction of park and recreational facilities, such as playgrounds, benches, bathroom facilities, and multi-use trails. Operation and maintenance costs include additional maintenance staff and equipment for that staff to properly maintain the additional parks and open space within the Central Issaquah study area.

The planned park and recreation requirements used in the study are based on the conceptual plan for additional parks, open space and trails identified in the EIS for the No Action alternative (60 additional acres) and the Task Force and Growth Center alternatives, which uses the same “green necklace” concept (84 additional acres for both the Task Force and Growth Center alternatives).

### Methods

The EIS outlined a conceptual plan with an estimated number of acres for the three alternatives; the two action alternatives do not differ in the expected park and open space needs. Besides the overall acres of additional park and open space needed, figures used in the study come from City of Issaquah, and the City’s current Capital Improvement Plan, and supplemental analysis by BERK.

BERK developed land acquisition based on an analysis of vacant land sales in the Central Issaquah study area over the last five years and the asking price of parcels currently for sale in the study area. These resulted in average land acquisition costs of about \$18.40 and \$12.90 per square foot, which were used as high and low range estimates, respectively. The analysis assumes that the City bears the entire cost of land acquisition. Matching grants are often used to offset some of the City’s costs, but given the limited and competitive nature of grant funding for parks, the study does not estimate potential City share of land acquisition.

The study used City staff input to estimate the number of park and recreational facilities that would accompany the additional parks and open space. Exhibit 9 below shows the number and cost of park and recreation facilities assumed. BERK determined the amount of multi-use trail development based on geographic information system (GIS) data provided by the City related to the Central Issaquah Plan, which totaled 2.9 miles. The study estimated the average cost of constructing trails from the City’s 2012 draft Park Pointe Trail Plan, the Rails to Trails Conservancy estimated ranges, and input from City staff.

**Exhibit 9**  
**Assumed Park and Recreation Facility Needs**

Facility Type	Number	Unit Cost (2012\$)	Total Cost (2012\$)
Bathroom Facilities	1	\$200,000	\$200,000
Playground	1	\$200,000	\$200,000
Trails (Miles)	2.9	\$100,000	\$290,000
Picnic benches	2	\$1,100	\$2,200
Benches	4	\$1,500	\$6,000
<b>Total</b>			<b>\$698,200</b>

Source: City of Issaquah, 2012; BERK, 2012

Staff input was used to estimate the number of additional employees (both full and part-time positions) to maintain the additional parks and open space as well as the amount of equipment and vehicles needed for

those employees. Exhibit 10 and Exhibit 11 list the breakdown of maintenance staff and equipment assumed for the three alternatives.

**Exhibit 10  
Assumed Additional Maintenance Staff Needs**

Facility Type	No Action	Task Force	Growth Center
Full-time maintenance	4	4	4
Part-time maintenance	3	5	5
<b>Total</b>	<b>7</b>	<b>9</b>	<b>9</b>

Source: City of Issaquah, 2012; BERK, 2012

**Exhibit 11  
Assumed Equipment Needs**

Facility Type	No Action	Task Force	Growth Center
One ton dump truck	2	3	3
Dual axel 18' trailer	2	3	3
42" Walker mower	1	1	1
Personal protection equipment	7	9	9
Lockers/Other personal equipment	7	9	9

Source: City of Issaquah, 2012; BERK, 2012

Lastly, the study used staff input and the current Capital Improvement Plan for the Parks and Recreation Department to determine the cost of salary and benefits for additional staff, recreational facilities, equipment, and vehicles in 2012 dollars.

## Summary of Estimates

### Capital Costs

The Task Force and Growth Center action alternatives have the highest capital costs due to the 24 additional acres of park and open space that has to be acquired. The land acquisition costs for these two alternatives range from \$47.5 million to \$67.5 million depending on the cost of the land. Exhibit 12 shows the cost comparison for the three alternatives. Planning recreational facilities are the same for all scenarios.

**Exhibit 12  
Parks and Recreation Capital Costs by Alternative**

	No Action	Task Force	Growth Center
Land Acquisition			
Low	\$34,300,000	\$47,500,000	\$47,500,000
High	\$48,600,000	\$67,500,000	\$67,500,000
Facilities	\$700,000	\$700,000	\$700,000
<b>Total</b>	<b>\$35,000,000 to \$49,300,000</b>	<b>\$48,200,000 to \$68,200,000</b>	<b>\$48,200,000 to \$68,200,000</b>

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.

### Operations and Maintenance Costs

The Task Force and Growth Center alternatives also have higher operations and maintenance cost due to the additional acre to maintain in the action alternatives. Exhibit 13 shows the breakdown of operations and maintenance costs for the alternatives. The additional cost of the action alternatives is driven by the two additional staff hired in these alternatives.

**Exhibit 13**  
**Operations and Maintenance Costs by Alternative**

	No Action	Task Force and Growth Center	Growth Center
Staffing Costs	\$9,020,000	\$9,940,000	\$9,940,000
Equipment Costs	\$180,000	\$260,000	\$260,000
Total	\$9,200,000	\$10,200,000	\$10,200,000

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.

## FISCAL SUMMARY

### “Base Case”

The fiscal impact of the preferred alternative is shown below. The results are presented in terms of a 30 year present value (PVs). Present value represents the value in today’s dollars (e.g. 2012) of a stream of future revenues (and costs). It is important to note that the fiscal benefits and costs associated with the development will not end after 30 years and will continue well beyond this time frame given the durability of modern construction.

This time horizon was chosen because long-term public debt is frequently issued with this bond repayment length. This is relevant given the perspective that future fiscal cash flows in the area may be “dedicated” to pay back debt on infrastructure needs at the present time.

The “Base Case” here refers to the equal allotment of pro-rata shares of development given the assumption referred to in Exhibit 3.

Exhibit 14, Exhibit 15, and Exhibit 16 summarize the present values for each of the three alternatives using the high and low capital estimates.

**Exhibit 14: No Action Alternative – 30 YR Present Values; 3% Discount Rate**

No Action Alternative High End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$49,300,000	Parks	\$9,200,000
Transportation	\$77,600,000	Transportation	\$2,100,000
Total	\$126,900,000	Core Admin Services	\$6,500,000
		Police	\$6,500,000
		Fire	\$4,600,000
		Total	\$28,900,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$16,100,000	Property Tax	\$24,900,000
Park Impact Fee	\$8,500,000	70% Sales Tax	\$45,290,000
Police Impact Fee	\$1,600,000	Utility Tax	\$22,800,000
Fire Impact Fee	\$3,500,000	B&O Tax	\$36,400,000
General Facilities Fee	\$400,000	State Shared Revenues	\$500,000
MVFT	\$900,000	Criminal Justice	\$1,400,000
REET	\$10,000,000	Total	\$131,290,000
30% Sales Tax	\$19,410,000		
Total	\$60,410,000		
Balance	(\$66,490,000)	Balance	\$102,390,000
		Fiscal Balance	
		\$35,900,000	

No Action Alternative Low End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$35,000,000	Parks	\$9,200,000
Transportation	\$77,600,000	Transportation	\$2,100,000
Total	\$112,600,000	Core Admin Services	\$6,500,000
		Police	\$6,500,000
		Fire	\$4,600,000
		Total	\$28,900,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$16,100,000	Property Tax	\$24,900,000
Park Impact Fee	\$8,500,000	70% Sales Tax	\$45,290,000
Police Impact Fee	\$1,600,000	Utility Tax	\$22,800,000
Fire Impact Fee	\$3,500,000	B&O Tax	\$36,400,000
General Facilities Fee	\$400,000	State Shared Revenues	\$500,000
MVFT	\$900,000	Criminal Justice	\$1,400,000
REET	\$10,000,000	Total	\$131,290,000
30% Sales Tax	\$19,410,000		
Total	\$60,410,000		
Balance	(\$52,190,000)	Balance	\$102,390,000
		Fiscal Balance	
		\$50,200,000	

Source: BERK, 2012. Note: Totals may not add due to rounding. All figures in 2012 dollars.

**Exhibit 15: Task Force Alternative – 30 YR Present Values; 3% Discount Rate**

Task Force Alternative High End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$68,200,000	Parks	\$10,200,000
Transportation	\$191,000,000	Transportation	\$3,600,000
Total	\$259,200,000	Core Admin Services	\$10,400,000
		Police	\$9,500,000
		Fire	\$6,600,000
		Total	\$40,300,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$26,300,000	Property Tax	\$39,900,000
Park Impact Fee	\$12,300,000	70% Sales Tax	\$74,550,000
Police Impact Fee	\$2,500,000	Utility Tax	\$36,800,000
Fire Impact Fee	\$5,400,000	B&O Tax	\$60,200,000
General Facilities Fee	\$600,000	State Shared Revenues	\$800,000
MVFT	\$1,200,000	Criminal Justice	\$2,000,000
REET	\$16,000,000	Total	\$214,250,000
30% Sales Tax	\$31,950,000		
Total	\$96,250,000		
Balance	(\$162,950,000)	Balance	\$173,950,000
		Fiscal Balance	
		\$11,000,000	

Task Force Alternative Low End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$48,200,000	Parks	\$10,200,000
Transportation	\$118,500,000	Transportation	\$3,600,000
Total	\$166,700,000	Core Admin Services	\$10,400,000
		Police	\$9,500,000
		Fire	\$6,600,000
		Total	\$40,300,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$26,300,000	Property Tax	\$39,900,000
Park Impact Fee	\$12,300,000	70% Sales Tax	\$74,550,000
Police Impact Fee	\$2,500,000	Utility Tax	\$36,800,000
Fire Impact Fee	\$5,400,000	B&O Tax	\$60,200,000
General Facilities Fee	\$600,000	State Shared Revenues	\$800,000
MVFT	\$1,200,000	Criminal Justice	\$2,000,000
REET	\$16,000,000	Total	\$214,250,000
30% Sales Tax	\$31,950,000		
Total	\$96,250,000		
Balance	(\$70,450,000)	Balance	\$173,950,000
		Fiscal Balance	
		\$103,500,000	

Source: BERK, 2012. Note: Totals may not add due to rounding. All figures in 2012 dollars.

**Exhibit 16: Growth Center Alternative – 30 YR Present Values; 3% Discount Rate**

Growth Center Alternative High End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$68,200,000	Parks	\$10,200,000
Transportation	\$191,000,000	Transportation	\$3,600,000
Total	\$259,200,000	Core Admin Services	\$11,000,000
		Police	\$25,300,000
		Fire	\$17,700,000
		Total	\$67,800,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$24,100,000	Property Tax	\$45,900,000
Park Impact Fee	\$32,800,000	70% Sales Tax	\$57,890,000
Police Impact Fee	\$2,500,000	Utility Tax	\$38,600,000
Fire Impact Fee	\$9,000,000	B&O Tax	\$42,800,000
General Facilities Fee	\$800,000	State Shared Revenues	\$2,100,000
MVFT	\$3,300,000	Criminal Justice	\$5,400,000
REET	\$18,400,000	Total	\$192,690,000
30% Sales Tax	\$24,810,000		
Total	\$115,710,000		
Balance	(\$143,490,000)	Balance	\$124,890,000
Fiscal Balance			
(\$18,600,000)			

Growth Center Alternative Low End Cost			
CAPITAL		OPERATIONS	
COSTS	2012 Dollars	COSTS	2012 Dollars
Parks	\$48,200,000	Parks	\$10,200,000
Transportation	\$118,500,000	Transportation	\$3,600,000
Total	\$166,700,000	Core Admin Services	\$11,000,000
		Police	\$25,300,000
		Fire	\$17,700,000
		Total	\$67,800,000
REVENUES	2012 Dollars	REVENUES	2012 Dollars
Trans Impact Fee	\$24,100,000	Property Tax	\$45,900,000
Park Impact Fee	\$32,800,000	70% Sales Tax	\$57,890,000
Police Impact Fee	\$2,500,000	Utility Tax	\$38,600,000
Fire Impact Fee	\$9,000,000	B&O Tax	\$42,800,000
General Facilities Fee	\$800,000	State Shared Revenues	\$2,100,000
MVFT	\$3,300,000	Criminal Justice	\$5,400,000
REET	\$18,400,000	Total	\$192,690,000
30% Sales Tax	\$24,810,000		
Total	\$115,710,000		
Balance	(\$50,990,000)	Balance	\$124,890,000
Fiscal Balance			
\$73,900,000			

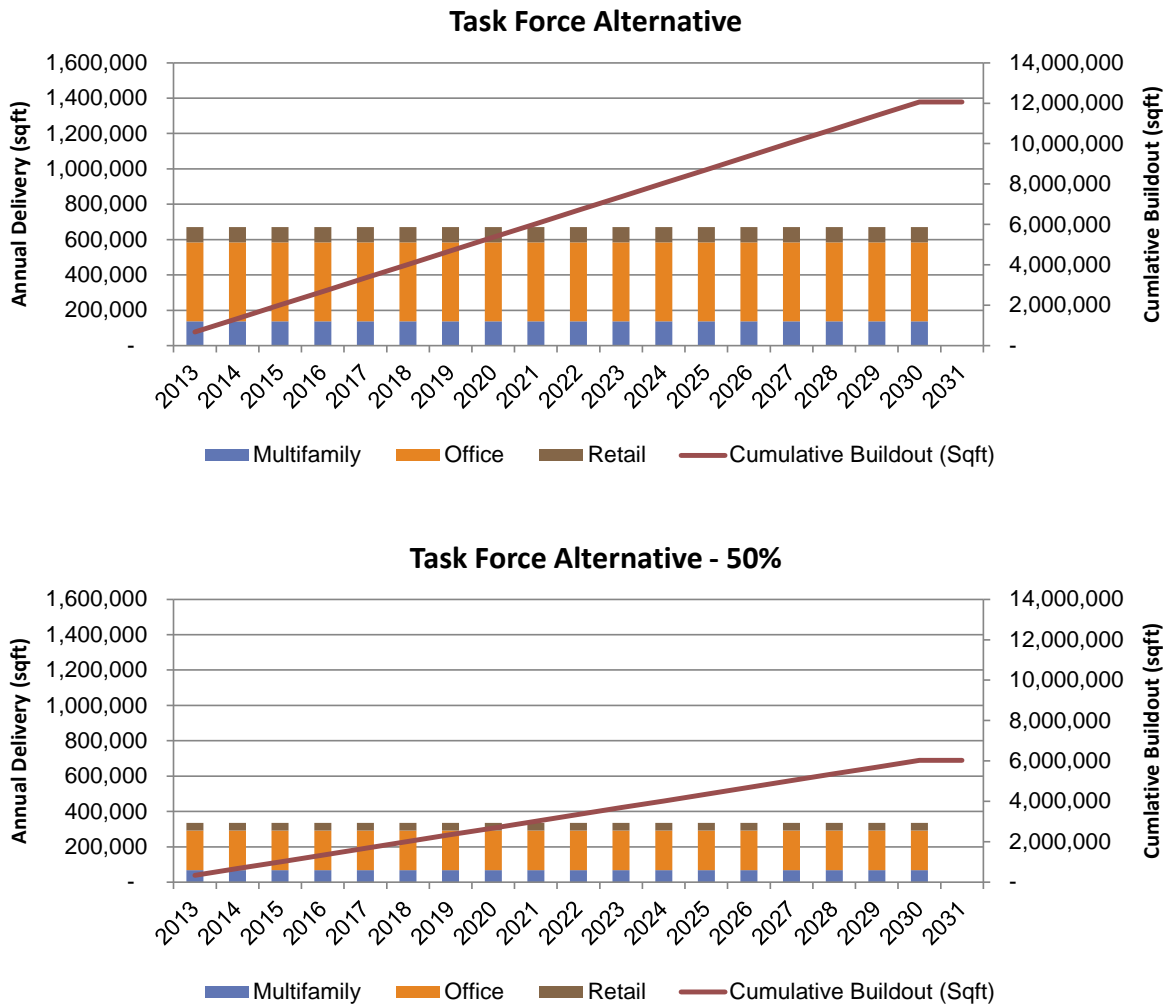
Source: BERK, 2012. Note: Totals may not add due to rounding. All figures in 2012 dollars.

## Fiscal Sensitivities

### Impact of Scale

The impact of decreasing amounts (or scale) of development will reduce the amount of costs and revenues coming from development. Exhibit 17 shows the difference in an overall reduction of 50% of development scale of the Task Force alternative (but still even development pacing through 2030).

**Exhibit 17 – Task Force Development Comparison**



Source: City of Issaquah, 2012; BERK, 2012.

The impact of this development reduction is summarized in Exhibit 18 where the total revenue impacts of elements tied to development is halved. Only the revenue impact is shown to illustrate how scale impacts the fiscal situation of the City. A fuller impact detailed in the “base case” is not done here since there is no current assumption on how the City would make capital investments (and maintain them) over time to meeting the reduced demands of growth in the area.

**Exhibit 18 – Summary of Fiscal Benefits due to Scale Reduction**

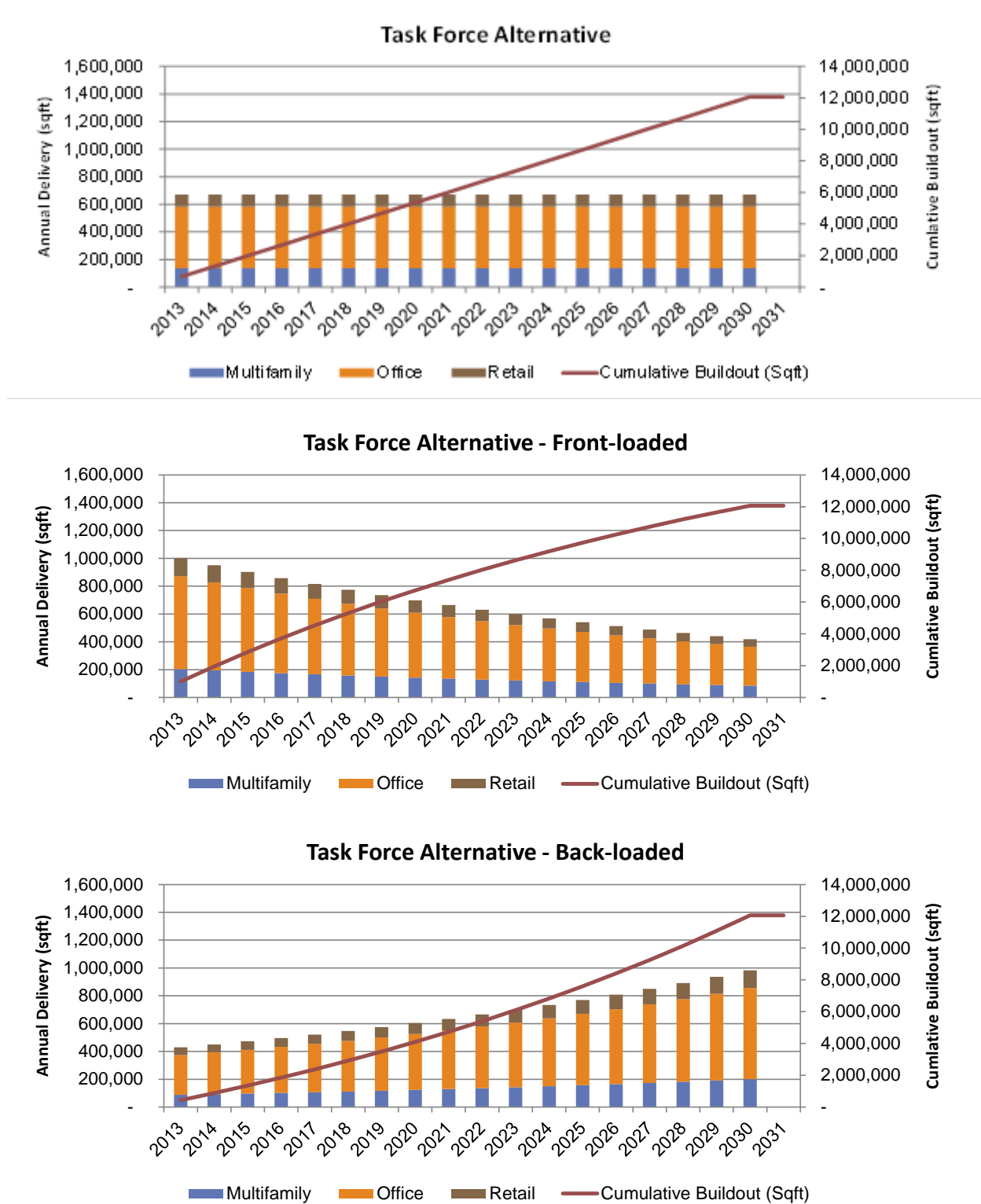
REVENUES	Full Build	50% Build
Property Tax	\$39,900,000	\$19,900,000
70% Sales Tax	\$74,550,000	\$37,310,000
Utility Tax	\$36,800,000	\$18,400,000
B&O Tax	\$60,200,000	\$30,100,000
State Shared Revenues	\$800,000	\$400,000
Criminal Justice	\$2,000,000	\$1,000,000
Total	\$214,250,000	\$107,110,000

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.

**Impact of Development Pacing**

The impact of development timing (or pacing) through time can have a big impact on the City’s fiscal position, particularly considering if (and when) it chooses to make large capital investments in transportation and parks. To illustrate this, two additional scenarios are included to show how pacing can impact the fiscal situation. Again, for the reasons cited above, only the revenues are shown here. Exhibit 19 summarizes the growth under the even-pace assumed in the base case and contrasts it with a “front-loaded” (more development in the early years) and “back-loaded” (more development in the latter years) scenarios.

Exhibit 19: Impact of Timing of Development (annual and cumulative)



Source: BERK, 2012

The impact of this development pacing is summarized in Exhibit 20 where the total revenue impacts of elements tied to development varies by plus/minus 7%.

**Exhibit 20 – Summary of Fiscal Benefits due to Scale Reduction**

REVENUES	Even Pace	Front-loaded	Back-loaded
Property Tax	\$39,900,000	\$43,400,000	\$36,600,000
70% Sales Tax	\$74,550,000	\$78,960,000	\$70,420,000
Utility Tax	\$36,800,000	\$40,000,000	\$33,800,000
B&O Tax	\$60,200,000	\$64,300,000	\$56,300,000
State Shared Revenues	\$800,000	\$800,000	\$700,000
Criminal Justice	\$2,000,000	\$2,200,000	\$1,900,000
<b>Total</b>	<b>\$214,250,000</b>	<b>\$229,660,000</b>	<b>\$199,720,000</b>

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.

### Scale and Impact

To illustrate the combination of scale in impact, assume that only 25% of the full build out of the Task Force Alternative is reached with much of that growth occurring in the later years. The impact of this development pacing is summarized in Exhibit 21 where the total revenue impacts of elements tied to development decreases substantially.

**Exhibit 21 – Summary of Fiscal Benefits due to Scale Reduction and Delay**

REVENUES	Full Build	25% and Back
Property Tax	\$39,900,000	\$8,400,000
70% Sales Tax	\$74,550,000	\$16,660,000
Utility Tax	\$36,800,000	\$7,800,000
B&O Tax	\$60,200,000	\$13,200,000
State Shared Revenues	\$800,000	\$200,000
Criminal Justice	\$2,000,000	\$400,000
<b>Total</b>	<b>\$214,250,000</b>	<b>\$46,660,000</b>

Source: City of Issaquah, 2012; BERK, 2012. Note: All figures in 2012 dollars.